

## General Obligation Debt Service Funds Budget

Debt Service Fund Spending (By Major Object)			
Object	2002 Actual Budget	2003 Adopted Budget	2004 Adopted Budget
Salaries	134,439	147,606	147,582
Services	18,470	80,374	80,374
Fringe Benefits	41,409	44,165	47,766
Other	947,471	286,665	289,153
Debt Service	35,422,927	55,361,165	55,195,966
Equipment, Land, and Buildings	0	0	0
Total	36,564,716	55,919,975	55,760,841

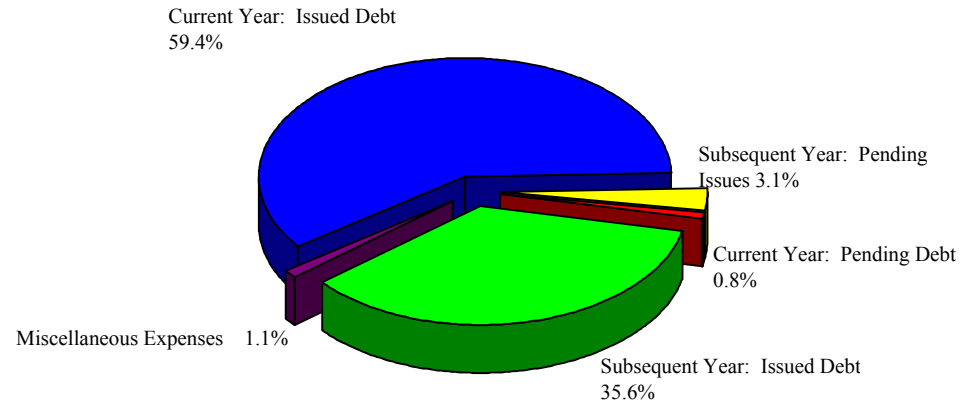
Debt Service Fund Spending (Revenue By Source)			
Source	2002 Actual Budget	2003 Adopted Budget	2004 Adopted Budget
Use of (Contribution to) Fund Balance	731,046	21,951,148	26,312,277
Transfers	3,853,600	5,294,757	7,889,301
Taxes	17,081,597	18,636,627	10,236,665
Licenses and Permits	0	0	0
Intergovernmental Revenue	1,378,993	26,710	4,758
Fees, Sales and Services	0	0	0
Enterprise and Utility Revenue	817,542	858,000	910,000
Other Revenue Sources	13,787,060	9,152,733	10,407,840
Total	37,649,838	55,919,975	55,760,841

The city's general debt service budget provides for the principal and interest payments on its general obligation bond issues. The budget consists of two sets of two appropriations: 1) an amount needed to meet the budget year debt service obligations, and 2) an amount needed to meet the obligations of the first half of the following year. Therefore, the amount appropriated for general debt service exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. The city receives state aids and property taxes mid-year and at the end of the year. If the city did not budget for subsequent year debt service payments, it would lack the cash to make the debt service payments due before the city receives its major cash infusions each year.

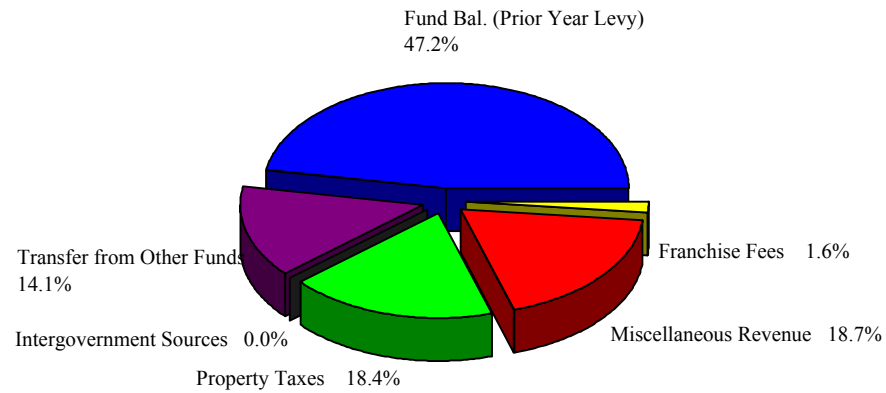
The total 2004 debt service budget is \$55,760,841. \$34,171,999 is 2004 spending, and \$21,588,842 is 2005 (subsequent year) spending.

# General Obligation Debt Service Funds

## 2004 Spending by Major Category



## 2004 Financing by Major Source



## General Obligation Debt

Allocation Of Debt Support as of December 31, 2003								
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Other Sources	Self Supporting Total	Total
Capital Improvements	99,815,000					4,150,000 **	4,150,000	103,965,000
Urban Renewal	135,000							135,000
Urban Renewal Refunding								0
Street Improvements			22,915,000				22,915,000	22,915,000
Tax Increment:								
Riverfront Development				9,395,000			9,395,000	9,395,000
Midway Marketplace				5,460,000			5,460,000	5,460,000
Block 39 Project				16,940,000	21,255,000		38,195,000	38,195,000
Water Pollution Abatement		1,270,000					1,270,000	1,270,000
Sewer Bonds		3,865,000					3,865,000	3,865,000
Sewer Loan (PFA*)		17,563,718					17,563,718	17,563,718
Water Loan (PFA*)		3,139,545					3,139,545	3,139,545
TOTAL	99,950,000	25,838,263	22,915,000	31,795,000	21,255,000	4,150,000	105,953,263	205,903,263
Percent of Total	48.5%	12.5%	11.1%	15.4%	10.3%	2.0%	51.5%	100.0%

\* PFA is the Public Facilities Authority.

\*\* Franchise Fees.

# **General Obligation Debt Service**

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## **Mission Statement**

To prepare financing plans and pay the annual principal and interest on the city's general obligation debt.

## **Strategic Plan Accomplishments and 2004 Priorities**

### **Major Accomplishments**

- The City became the first in the nation to have their 2003 Sewer Utility bonds rated at the AAA credit rating by Standard & Poor's.
- Standard and Poor's reaffirmed the city's highest possible AAA credit rating in 2003.
- The city sold \$22.235 million in general obligation capital improvement bonds, of which \$3.235 million was used to refund the 1995 capital improvement bonds, at a record low 2.99% interest rate.

### **2004 Priorities**

- Maintain or improve the Aa2 (Moody's) and AAA (Standard & Poor's) ratings assigned to the city's general obligation debt. Strengthen the organizational understanding of the best uses of the general obligation bonding authority.
- Provide Alternate Financing: Provide recommendations for the alternative financing plans for both current and future bond issues. Alternatives to the use of tax levy as financing for the general obligation debt of the city will continue to be explored and recommended where prudent. Continue to review proposals in search for the solutions that serve the city in the long-term, ever mindful of the short-term needs.

## Debt Service

DEPARTMENT/OFFICE DIRECTOR: MATT SMITH

	2001 2ND PRIOR EXP & ENC *	2002 LAST YEAR EXP & ENC *	2003 ADOPTED BUDGET	2004 MAYOR'S PROPOSED	2004 COUNCIL ADOPTED	ADOPTED MAYOR'S PROPOSED	CHANGE FROM 2003 ADOPTED
<u>SPENDING APPROPRIATIONS</u>							
960 GENERAL DEBT SERVICE FUND	23,229,108	23,597,134	43,314,186	42,693,039	41,971,532	721,507-	1,342,654-
961 CITY REV BONDS, LONG TERM DEBT	5,954,637	6,579,758	6,869,753	7,020,202	7,020,202		150,449
963 G.O. SPEC ASSM DEBT SERV FUND	2,932,800	5,983,446	5,419,290	6,056,041	6,056,041		636,751
967 CITY REVENUE NOTES DEBT SERVICE	316,746	404,378	316,746	713,066	713,066		396,320
TOTAL SPENDING BY UNIT	32,433,291	36,564,716	55,919,975	56,482,348	55,760,841	721,507-	159,134-
=====							
<u>SPENDING BY MAJOR OBJECT</u>							
SALARIES	122,862	134,439	147,606	147,582	147,582		24-
EMPLOYER FRINGE BENEFITS	36,275	41,409	44,165	47,766	47,766		3,601
SERVICES	1,845	18,470	80,374	80,374	80,374		
MATERIALS AND SUPPLIES	8,598	12,442	6,665	6,665	6,665		
MISC TRANSFER CONTINGENCY ETC	285,053	310,000	280,000	282,488	282,488		2,488
DEBT	31,978,658	35,422,927	55,361,165	55,917,473	55,195,966	721,507-	165,199-
STREET SEWER BRIDGE ETC IMPROVEMENT		625,029					
EQUIPMENT LAND AND BUILDINGS							
TOTAL SPENDING BY OBJECT	32,433,291	36,564,716	55,919,975	56,482,348	55,760,841	721,507-	159,134-
=====							
	12.7 %	52.9 %	1.0 %	1.3 %	1.3 %	1.3 %	.3 %
<u>FINANCING BY MAJOR OBJECT</u>							
<u>SPECIAL FUNDS</u>							
TAXES	19,528,506	17,899,139	19,494,627	11,596,665	11,146,665	450,000-	8,347,962-
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	1,868	1,378,993	26,710	4,758	4,758		21,952-
FEES, SALES AND SERVICES	10	15,000					
ENTERPRISE AND UTILITY REVENUE	114,660	114,660	130,000	130,000	130,000		
MISCELLANEOUS REVENUE	12,740,903	13,657,400	9,022,733	10,277,840	10,277,840		1,255,107
TRANSFERS	4,061,719	4,584,646	5,294,757	8,160,808	7,889,301	271,507-	2,594,544
FUND BALANCES			21,951,148	26,312,277	26,312,277		4,361,129
TOTAL FINANCING BY OBJECT	36,447,666	37,649,838	55,919,975	56,482,348	55,760,841	721,507-	159,134-
=====							
	3.3 %	48.5 %	1.0 %	1.3 %	1.3 %	1.3 %	.3 %

## Budget Explanation

### Major Changes in Spending and Financing

#### Creating the 2004 Budget Base

The 2003 adopted budget was adjusted to set the base for the year 2004. The budget was increased for the anticipated growth in 2004 for salaries and fringes for staff related to the bargaining process. Employee benefit cost increases were projected and then considered in the process that distributes those total costs to the City departments' budget through the budget system using the "fringe rate" process.

#### Mayor Recommendations

- The spending in fund 960, general debt service, decreased by \$621,147. The budget proposes issuing \$19,000,000 capital improvement budget (CIB) bonds in 2004. The spending plan as proposed has not changed significantly over the adopted 2003 budget. The budget assumes an estimated interest cost of 4% for the bonds to be sold in 2004.

The financing plan has changed significantly. Most of the change is due to recognizing that the new Library Agency will pay for the annual debt service of library projects and the use of sales tax revenues to fund debt service. This allows some tax levy authority to shift to the General Fund to help offset the cutbacks in the State's 2004 Local Government Aid funding. The 2001 and 2002 actuals reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2003 and 2004.

For funds 960 and 963, the budget includes appropriations for both the amount needed to meet the budget year debt service obligations, and an amount needed to meet the obligations of the first half of the following year (subsequent year). Therefore, the amount appropriated exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. If this practice was not employed, the city would lack the cash to make the debt service payments due before it receives its major cash infusions each year.

- Spending for fund 961, city revenue bonds, long-term debt, increased by \$150,449. This fund is financed with facility lease payments and Minnesota Wild hockey team revenues (payments in lieu of taxes). These bonds are backed by sales tax revenues. The \$150,449 increase in spending is financed by an increase of \$21,754 in payments in lieu of taxes (PILOT), and by \$128,675 of use of fund balance built up from previous year's PILOT payments and lease payments.

- Spending for fund 963, general obligation special assessment debt service, increased by \$636,751 compared to 2003. This change is due to issuing larger bond issues over the years and the 2003 bond issue requiring a large first year payment and subsequent year budget. The 2001 and 2002 actuals reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2003 and 2004.
- Spending for fund 967, city revenue notes debt service, is for a bank note for the purchase of property for the Science Museum, paid by parking revenues and cultural sales tax (STAR) monies. For 2004, the people connection debt service budget must be established in order to make the appropriate lease payment to Ramsey County. The people connection is funded by contributions from the Convention & Visitors Bureau, the RiverCentre Authority and Hotel Motel tax receipts.

#### City Council Actions

The city council adopted the Police department budget and recommendations as proposed by the mayor, and made these further changes:

- reduce the transfer from the Public Library Agency due to the issuance of library bonds verse having the City issue debt on their behalf, and
- shift part of the property tax levy to the City's General Fund to recognize that the City will issue the 2004 capital improvements bonds with annual payments in September instead of the traditional March payment.